

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7024

BILL NUMBER: HB 1093

DATE PREPARED: Jan 2, 2002

BILL AMENDED:

SUBJECT: Elkhart County CAGIT.

FISCAL ANALYST: Chris Baker

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FUNDS AFFECTED: **GENERAL
DEDICATED
FEDERAL**

IMPACT: Local

Summary of Legislation: This bill allows Elkhart County to impose the County Adjusted Gross Income Tax (CAGIT) at a rate of up to 1.25% (instead of 1%). The bill also provides that the CAGIT revenue that is derived from the additional tax rate: (1) may be used only to pay the costs of financing, constructing, improving, acquiring, renovating, or equipping the county criminal justice buildings and related buildings and parking facilities; and (2) may be pledged to pay bonds issued or leases entered into for those purposes. It specifies that the term of the bonds (including any refunding bonds) or a lease may not exceed 20 years. The bill also provides that any funds accumulated after the redemption of bonds or the final payment of lease rentals shall be transferred to the county highway fund to be used for construction, resurfacing, restoration, and rehabilitation of county highways, roads, and bridges.

Effective Date: Upon passage.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: In accordance with the provisions of this bill, revenue from the additional tax rate increase of either 0.15%, 0.2% or 0.25% to CAGIT may be used to finance, construct, acquire, improve, renovate, or equip jail facilities; juvenile court, detention, and probation facilities; other criminal justice facilities; and related buildings and parking facilities located in the county including costs related to the demolition of existing buildings and the acquisition of land. Additionally, the revenue generated may be used to repay bonds issued or leases entered into for the above.

Explanation of Local Revenues: Under current Indiana law, counties are allowed to impose CAGIT at a tax rate of either 0.5%, 0.75% or 1%. (Elkhart County currently imposes CAGIT at a 1% rate.) Under the provisions of this bill, Elkhart County would be allowed to increase the CAGIT rate by either 0.15%, 0.2%,

or 0.25%. The tax rate imposed may be imposed only until the later of the date on which the financing, construction, acquisition, improvement, renovation, and equipping of the above described items are completed or any bonds or lease entered into are paid. Term of a lease or bonds issued may not exceed 20 years.

The CY 2002 CAGIT certified distribution at a 1% rate for Elkhart County is \$53,361,932. In order to accommodate the rate increase to CAGIT, the bill allows the maximum combined rate of CAGIT and the County Economic Development Income Tax (CEDIT) for Elkhart County to be increased by 0.25%. Current law allows, with few exceptions, a maximum combined CAGIT and CEDIT rate of 1.25%. The bill would allow this combined rate for Elkhart County to be 1.5%. (To date, Elkhart County has adopted CEDIT at a 0.25% rate. The Elkhart County CEDIT certified distribution for CY 2002 is \$14,406,774.)

It is estimated an additional 0.25% CAGIT tax increase would equal approximately \$13.3 M in additional gross revenue for the entire year. An increase in the CAGIT tax rate by 0.2% would generate approximately \$10.7 M in new revenue for an entire year. Finally, an increase in the CAGIT tax rate by 0.15% would equal approximately \$8 M in additional revenue for an entire year.

The bill allows the county council of Elkhart County to adopt an ordinance to increase its CAGIT rate after March 31, 2002, and before September 20, 2002. Under the bill, an ordinance adopted after March 31, 2002, and before September 20, 2002, would become effective January 1, 2003. If an ordinance is adopted in this time period, certified distributions with the higher CAGIT rate would begin to be received by Elkhart County in CY 2004.

Background: Under current Indiana law, a county must adopt an increase in its CAGIT rate by April 1 of a given year. In July of that year, the State Budget Agency will calculate a certified distribution for the following year. (Counties do not receive any additional certified shares until January of the year following the rate increase and certified distribution.)

State Agencies Affected: State Budget Agency; Department of State Revenue.

Local Agencies Affected: Elkhart County.

Information Sources: State Budget Agency.